Message Text

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FM SECSTATE WASHDC
TO USMISSION GENEVA
USMISSION USUN NEW YORK

UNCLAS STATE 146000

FOLLOWING REPEAT ROME 10104 ACTION SECSTATE JUN 20. QUOTE UNCLAS ROME 10104

FODAG

E.O. 11652: N/A

TAGS: FAO, OCON, EAGR

SUBJ: 71 ST FAO COUNCIL: SPECIAL RESERVE ACCOUNT

- 1. DESPITE THE REQUEST OF THE NETHERLANDS, UK, CANADA, GERMANY, US, JAPAN, ITALY AND FRANCE TO DEFER THE MATTER FOR STUDY BY THE 72ND FAO COUNCIL IN NOVEMBER, THE CHAIR ACCEPTED THE WISHES OF NINE DEVELOPING COUNTRIES AND RULED THAT A DRAFT RESOLUTION PROPOSED BY THE DIRECTOR-GENERAL CALLING FOR THE ESTABLISHMENT OF A SPECIAL RESERVE ACCOUNT SHOULD GO FORWARD TO THE CONFERENCE, WITH THE COUNCIL'S AGREEMENT.
- 2. AS PROPOSED THE RESOLUTION HAS A NUMBER OF PROVISIONS WHICH CAUSE DIFFICULTY FOR THE US AND OTHER MAJOR DONORS. IT IS BROAD IN PURPOSE, ALMOST OPEN-ENDED AND WOULD BE ESTABLISHED BY USING \$5 MILLION FROM THE CURRENT (BUT EXPIRING) SUSPENSE ACCOUNT WHICH WAS ESTABLISHED TO FUND UNBUDGETED COSTS ARISING FROM AN UNFAVORABLE UNCLASSIFIED

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CURRENCY FLUCTUATION IN 1976-77. MONEY IN THE CURRENT ACCOUNT STANDS TO THE CREDIT OF GOVERNMENTS BUT THIS IS NOT PROVIDED FOR IN NEWLY PROPOSED ACCOUNT.

3. MOST MAJOR DONORS BELIEVE THAT WHILE FAO'S FINANCIAL SECURITY MUST BE PROTECTED TO A REASONABLE DEGREE THROUGHOUT THE VARIOUS BIENNIA, THE NEWLY PROPOSED ACCOUNT HAS NOT YET BEEN

JUSTIFIED OR THROUGHLY EXPLORED.

- 4. THE DIRECTOR-GENERAL ALREADY KNOWS OUR VIEWS ON ISSUE BUT DELEGATION WILL ATTEMPT REPEAT THEM TO HIM PRIOR CONCLUSION SESSION. WE ALSO WILL INSIST ON ACCURATE COUNCIL REPORT OF DISCUSSION THIS ITEM. IN PRELIMINARY TALK WITH UK AND CANADA FOLLOWING DECISION, WE MENTIONED POSSIBLE COURSE OF PREPARING AN ALTERNATIVE RESOLUTION FOR CONFERENCE WHICH WOULD PROVIDE FOR THE LEGITIMATE NEEDS OF ORGANIZATION BUT ALSO ESTABLISHED LIMIT USE OF FUNDS, AND APPROPRIATE CRITERIA FOR DRAWDOWNS. TO RETAIN GOVERNMENT'S HOLD ON ACCRUED FUNDS, AN ALTERNATIVE, IF PROPOSED, MIGHT CONSIST OF SOMETHING LIKE ATTACHING A NEW SEGMENT TO THE ALREADY ESTABLISHED WORKING CAPITAL FUND, WHICH GOVERNMENTS OWN.
- 5. THE GENEVA GROUP MIGHT BE USEFUL IN DECIDING HOW TO PURSUE THIS ISSUE.GARDNER UNQUOTE CHRISTOPHER

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Subject: 71 ST FAO COUNCIL: SPECIAL RESERVE ACCOUNT

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